

Message Text

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PAGE 01 MUSCAT 00347 190554Z

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ACTION NEA-09

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-01 OMB-01 CEA-01 FRB-03 FS-01 ABF-01

/053 W

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R 190408Z MAR 75

FM AMEMBASSY MUSCAT

TO SECSTATE WASHDC 985

INFO AMEMBASSY ABU DHABI

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY MANAMA

AMEMBASSY BEIRUT

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E.O. 11652: N/A

TAGS: EFIN, MU

SUBJECT: OMANI RIAL REMAINS PEGGED TO DOLLAR

1. DEPUTY DIRECTOR OMAN CENTRAL BANK DR. YUSUF NIMATALLAH REPORTS LETTER SENT TO ALL BANKS IN OMAN INFORMING THEM OMANI RIAL WILL REMAIN PEGGED TO U.S. DOLLAR. LETTER SENT TO ELIMINATE UNCERTAINTY AND THUS DISCOURAGE SPECULATIVE FLOWS. LOCAL BANKERS, HOWEVER, FEEL THERE STILL REVALUATION POSSIBILITY.

2. COMMENT: WHILE OMANI DOLLAR HOLDINGS TOO SMALL TO BE DETERRENT TO REVALUATION AND RIAL FULLY BACKED CURRENCY WHICH ON SURFACE APPEARS STRONG, WE BELIEVE OMANIS TAKING RIGHT COURSE IN LIGHT OF RECENT PRESS COVERAGE FINANCIAL PROBLEMS AS WELL AS LIKELY PRESENT UNFAVORABLE BOP POSITION. POSSIBLE GAINS AGAINST DOLLAR COULD WELL BE OFFSET BY LOSSES AGAINST OTHER TRADING PARTNER CURRENCIES. OMANI FINANCE AUTHORITIES RIGHTLY RECOGNIZE IT'S SAFER TO STAY ANCHORED TO PRE-LIMITED OFFICIAL USE

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PAGE 02 MUSCAT 00347 190554Z

SENT ARRANGEMENT AT LEAST UNTIL RESULTS EXPERIMENT BY

OTHER GULF COUNTRIES BECOME CLEAR. HOWEVER, POLITICAL
PRESSURE TO CHANGE, ESPECIALLY IF UAE DOES, COULD STILL
BE OVERWHELMING.
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Message Attributes

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